



THE COMMONWEALTH OF MASSACHUSETTS
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MICHAEL J. SULLIVAN
DIRECTOR

September 13, 1996
AO-96-27

Michael F. Sasso, Treasurer
Danvers Republican Town Committee
83R Hobart Street, #C-6
Danvers, MA 01923-1961

Re: Use of discount coupon books as incentive to encourage
contributions

Dear Mr. Sasso:

This letter is in response to your August 20, 1996 request for an advisory opinion regarding the application of the campaign finance law to the use of discount coupon books, provided on consignment, as an incentive to encourage contributions.

You have stated that the Danvers Republican Town Committee is considering making discount coupon books available to potential contributors as an incentive to encourage contributions. You would purchase the coupon books from a corporation that produces such books. The corporation normally provides the books on a consignment basis, which means that the committee would incur a liability for the cost of any books which you fail to return.

You have also stated that consignment is a generally accepted business practice and is the corporation's usual and customary way of doing business. In providing the books to the committee, the corporation is not changing the terms and conditions it normally uses and is not providing the books for the purpose of benefiting the committee.

Question

You have asked if the committee may accept the books on consignment.

Answer

Yes, provided the committee accurately discloses the transaction.

Discussion

An example will best illustrate the required disclosure: I will assume that each coupon book costs \$1, and that you accept 300 books from the company on consignment. If you give a book to each of 200 potential contributors, you would return 100 books to the corporation. For the 200 books you do not return, you would pay the corporation \$200.

If the 200 books are distributed to potential contributors and if you pay the corporation \$200 during a single reporting period, you would report the expenditure of \$200 to the corporation for the 200 books which you distributed. If the remaining 100 books are returned to the corporation during the reporting period, no liability would exist.

On the other hand, if the 100 books are not returned to the corporation by the close of the reporting period, a \$100 liability would exist to the corporation and would have to be reported as such on Schedule D (Liabilities) of the campaign finance report. In that event, the \$100 liability would be handled in one of the following ways during the next reporting period:


1. If the 100 books are distributed to potential contributors and a \$100 payment is made to the corporation, the expenditure would be reported on Schedule B. The liability would no longer exist and therefore would be deleted from Schedule D.

2. If the 100 books are returned to the corporation, you would remove the \$100 liability from Schedule D and attach a note to your campaign finance report explaining that the liability no longer exists because the books on consignment were returned to the corporation.

3. If the committee is still in possession of the books at the end of the reporting period, and no payment has been made to the corporation, the \$100 liability must continue to be carried on Schedule D. Any partial payment to the corporation is reported on Schedule B and would reduce the remaining liability by the amount of the payment.

I note that the proposed arrangement does not involve the receipt of a prohibited corporate contribution. Providing the books on consignment would not be considered a "contribution" to the committee since the books are not being provided "for the purpose of influencing the nomination or election of [an] individual or candidate" and since the books would be provided on the same terms and conditions to any other customer. See M.G.L. c. 55, sections 1 and 8.

This opinion is solely in the context of M.G.L. c. 55, and is based solely on the representations made in your letter. Should you have additional questions, please do not hesitate to contact this office.

Sincerely,

Michael J. Sullivan
Director